

SENATE BILL NO. 44—COMMITTEE ON NATURAL RESOURCES

(ON BEHALF OF THE DIVISION OF MINERALS)

PREFILED DECEMBER 20, 2014

Referred to Committee on Natural Resources

SUMMARY—Makes various changes to provisions related to oil and natural gas. (BDR 46-344)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to minerals; revising provisions relating to certain fees for permits to drill and operate oil and natural gas wells; making various other changes to provisions relating to oil and natural gas; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

Existing law requires the Commission on Mineral Resources to prescribe by regulation a fee, not to exceed \$200, for a permit to drill a well in search of oil or gas. (NRS 522.050) **Section 1.5** of this bill: (1) revises the statutory limit on the fee for such a permit; (2) establishes a statutory limit on the fee for a request to change the terms of an existing permit; and (3) authorizes the Commission to include in such fees the reasonable administrative costs of the Division of Minerals of the Commission relating to the filing and examination of applications for such permits and requests.

Existing law requires the Commission to prescribe by regulation a fee, not to exceed 20 cents for each barrel of oil or each 50,000 cubic feet of natural gas produced from a well in this State, which must be assessed against the producer of the oil or natural gas. (NRS 522.150) **Section 2** of this bill raises the statutory limit on the fee from 20 cents to 30 cents.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** Chapter 522 of NRS is hereby amended by adding thereto a new section to read as follows:

*“Hydraulic fracturing” or “hydraulically fractured” means the process of pumping a fluid into or under the surface of the ground to create fractures in the rock to facilitate the production or recovery of oil or gas.*

**Sec. 1.3.** NRS 522.020 is hereby amended to read as follows:  
522.020 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 522.021 to 522.0395, inclusive, *and section 1 of this act* have the meanings ascribed to them in those sections.

**Sec. 1.5.** NRS 522.050 is hereby amended to read as follows:  
522.050 1. A person ~~{desiring to drill a well in search of}~~ *shall not drill or operate an* oil or gas ~~{shall notify}~~ *well unless he or she first obtains a permit from* the Division ~~{of that intent on a form prescribed by the Division and shall pay a fee in an amount established pursuant to subsection 2 for a permit for each well. Upon receipt of}~~ *pursuant to this section.*

*2. Every person desiring to drill and operate an oil or gas well or requesting a change in the terms of an existing permit to drill and operate an oil or gas well must:*

*(a) Submit an application for a permit or for a request to change the terms of an existing permit, as applicable, to the Division on the form prescribed by the Division; and*

*(b) Pay the applicable fee prescribed pursuant to subsection 3.*

*3. The Commission on Mineral Resources shall prescribe by regulation the fees for a permit to drill and operate an oil or gas well and for a request to change the terms of an existing permit. The amount of each fee prescribed by the Commission may include the reasonable administrative costs of the Division relating to the filing and examination of applications for such permits or for requests for changes in the terms of such existing permits, as applicable, but the amount of the fee must not exceed:*

*(a) For a permit to drill and operate an oil or gas well that is not intended to be hydraulically fractured, \$2,000.*

*(b) For a permit to drill and operate an oil or gas well that is intended to be hydraulically fractured, \$5,000.*

*(c) For a request to change the terms of an existing permit to drill and operate an oil or gas well, \$400.*

*4. The Division shall, as soon as practicable after receiving the* ~~{notification and fee, the Division shall promptly}~~ *proper application and fee, issue to the person a permit or change the*



\* S B 4 4 R 1 \*

1 *terms of an existing* permit , ~~{to drill,}~~ *as applicable*, unless the  
2 drilling *or operation* of the well is ~~{contrary to}~~ *prohibited by any*  
3 law or ~~{a}~~ regulation or order of the Division. ~~{The drilling of a well~~  
4 ~~is prohibited until a permit to drill is obtained in accordance with the~~  
5 ~~provisions of this chapter.~~

6 ~~— 2. The Commission on Mineral Resources shall, by~~  
7 ~~regulations, establish the fee required pursuant to subsection 1 in an~~  
8 ~~amount not to exceed \$200 per permit.~~

9 *5. The Division shall deposit with the State Treasurer, for*  
10 *credit to the Account for the Division of Minerals created*  
11 *pursuant to NRS 513.103, all money received pursuant to*  
12 *subsection 2.*

13 **Sec. 1.7.** NRS 522.119 is hereby amended to read as follows:

14 522.119 1. The Division of Minerals and the Division of  
15 Environmental Protection shall, jointly, develop a hydraulic  
16 fracturing program to:

17 (a) Assess the effects of hydraulic fracturing on the waters of the  
18 State of Nevada;

19 (b) Require a person who engages in hydraulic fracturing to  
20 disclose each chemical used to engage in hydraulic fracturing; and

21 (c) Provide for notice to members of the general public  
22 concerning activities relating to hydraulic fracturing in this state.

23 2. The Commission on Mineral Resources shall adopt  
24 regulations to implement the hydraulic fracturing program required  
25 by subsection 1.

26 3. As used in this section , ~~{:~~

27 ~~—(a)}~~ “Division of Environmental Protection” means the Division  
28 of Environmental Protection of the State Department of  
29 Conservation and Natural Resources.

30 ~~{(b)} “Hydraulic fracturing” means the process of pumping a~~  
31 ~~fluid into or under the surface of the ground to create fractures in the~~  
32 ~~rock to facilitate the production or recovery of oil or gas.~~

33 **Sec. 2.** NRS 522.150 is hereby amended to read as follows:

34 522.150 1. Any expenses in connection with Nevada’s  
35 affiliation with the Interstate Oil *and Gas* Compact Commission  
36 must be paid from the Account for the Division of Minerals created  
37 pursuant to NRS 513.103.

38 2. ~~{To pay}~~ *For the purpose of paying* the expenses of the  
39 Division, ~~{every}~~ *each* producer of oil or natural gas in this state  
40 shall, on or before the last day of each month, report to the Division  
41 and the State Treasurer ~~{his or her}~~ *the producer’s* production in this  
42 state of oil in barrels and of natural gas in thousands of cubic feet  
43 during the *immediately* preceding month, and ~~{at the same time}~~  
44 shall pay to the Division , *concurrently with the submission of the*  
45 *report*, a fee in an amount established pursuant to subsection 3 on



1 each barrel of oil and each 50,000 cubic feet of natural gas produced  
2 and marketed by the producer during the *immediately* preceding  
3 month. The Division shall deposit with the State Treasurer, for  
4 credit to the Account for the Division of Minerals, all money  
5 received pursuant to this subsection. ~~Every~~ *Each* person  
6 purchasing such oil or natural gas is liable for the payment of the fee  
7 for each barrel of oil or each 50,000 cubic feet of natural gas, unless  
8 ~~the~~ *the fee* has been paid by the producer.  
9 3. The Commission on Mineral Resources shall, by regulation,  
10 establish the administrative fee required pursuant to subsection 2 in  
11 an amount not to exceed ~~20~~ *30* cents for each barrel of oil or each  
12 50,000 cubic feet of natural gas.  
13 **Sec. 3.** This act becomes effective on July 1, 2015.

